

PRELIMINARY CERTIFICATE OF AUTHORITY SCORING GUIDE

Based on 2003 Annual Statement Line Numbers

A guide to help with scoring pursuant to Maine Regulation Chapter 230 §3 (C)

Scores should be transferred to back of preliminary application form.

Name of Applicant Company: _____ **CoCode:** _____

1. Capital funds

- A. Common Capital Stock \$ _____
P&C: Pg. 3 line 28
L&H: Pg. 3 line 29
- B. Unassigned Funds (surplus) \$ _____
P&C: Pg. 3 line 33
L&H: Pg. 3 line 35
- C. Surplus as Regards Policyholders \$ _____
P&C: Pg. 3 line 35
L&H: Pg. 3 line 38

Either A or B do not meet Statutory Minimum in accordance with §410 = 0 pts.

A and B each meet Statutory Minimum = 1 pt.

A and B each meet Statutory Minimum and C is \$6 million to \$10 million = 2 pts.

A and B each meet Statutory Minimum and C is in excess of \$10 million = 3 pts.

SCORE _____

2. NAIC IRIS Test

Failure of 4 or more tests and/or failure to file

Annual Statement with NAIC for prior year. = -2 pts.

Failure of 2 tests but not test 1(P&C) or 7(L&H) = 1 pt.

No more than 1 failed test but not test 1(P&C) or 7(L&H) = 2 pts.

All remaining scenarios = 0 pts.

SCORE _____

3. Servicing considerations

Applicant has made a binding commitment to establish a service office in Maine,
or is affiliate with a Maine licensed insurer which is currently licensed for the
same lines of authority sought by the applicant and which maintains a service
office in Maine. ☐ Yes = 1 pt. ☐ No = 0 pts.

SCORE _____

4. Sales to surplus ratio test

A. Net premiums written (P&C) \$ _____
[Pg. 8 part 1B col. 6 line 34]

B. Aggregate reserves (L&H) \$ _____
[Pg. 3 lines 1+2]

C. "Determined" surplus

Total capital & surplus

[P&C: Pg. 3 line 35]

[L&H: Pg. 3 line 38]

\$ _____

Less: Difference between mkt. & amt. values of bonds

[Sch. D summary line 26 col. 1 - col. 2] - if negative, use 0

\$ _____

Less: Excess investment in affiliated companies

[P&C: Pg. 24 col. 1 line 45 - ½ pg. 3 line 35] - if negative, use 0

[L&H: Pg. 29 col. 1 line 49 - ½ pg. 3 line 38] - if negative, use 0 \$ _____

"Determined" surplus

\$ _____

D. Ratio

P&C: A/C = _____

Ratio less than or equal to 3:1 = 1 pt.

Ratio greater than 3:1 but less than 3.4:1 = 0 pts.

Ratio greater than 3.4:1 but less than 4:1 = -1 pt.

Ratio greater than 4:1 = -2 pts.

L&H: B/C = _____

Ratio less than or equal to 10:1 = 1 pt.

Ratio greater than 10:1 but less than 12.5:1 = 0 pts.

Ratio greater than 12.5:1 but less than 20:1 = -1 pt.

Ratio greater than 20:1 = -2 pts.

SCORE _____

5. Incurred loss ratio test -- Property & Casualty Company

I. Prime rate (PR) utilized: _____ %

II. Source of such rate: _____

III. Total net premiums earned (V+XI+XVII below) \$ _____

A. Respecting Property & Physical Damage Coverages (IV to IX)

IV. Losses incurred \$ _____

[Pg. 9 col. 7 lines 1+2+9+12+14+15+21+26+27+28+30]

V. Premiums earned \$ _____

[Pg. 6 Part 1 col. 4 all lines listed in IV]

VI. Loss ratio (IV/V): _____ %

VII. Raw points: _____

VI. (loss ratio) less than or equal to 58%+25% of PR(I.) = 1 pt.

VI. (loss ratio) greater than 58%+25% of PR(I.) but less than 68%+25% of PR(I.) = 0 pts.

VI. (loss ratio) greater than 68%+25% of PR(I.) = -1 pt.

VIII. Weighting factor (V/III) _____ %

IX. Weighted points (VII*VIII) _____

B. Respecting multiple peril coverages (X to XV)

X. Losses incurred \$ _____

[Pg. 9 col. 7 lines 3+4+5+6+8+19.1, 19.2+19.3, 19.4 +22+23+24+31+32]

XI. Premiums earned \$ _____

[Pg. 6 Part 1 col. 4 all lines listed in X]

XII. Loss ratio (X/XI) _____ %

XIII. Raw points _____

XII. (loss ratio) less than or equal to 60%+50% of PR(I.) = 1 pt.

XII. (loss ratio) greater than 60%+50% of PR(I.) but less than 72%+50% of PR(I.) = 0 pts.

XII. (loss ratio) greater than 72%+50% of PR(I.) = -1 pt.

XIV. Weighting factor (XI/III) _____ %

XV. Weighted points (XIII*XIV) _____

C. Respecting liability coverages (XIV TO XXI)

XVI. Losses incurred \$ _____

[Pg. 9 col. 7 lines 11.1+11.2+13+16+17.1+17.2+18.1+18.2]

XVII. Premiums earned \$ _____

[Pg. 6 Part 1 col. 4 all lines listed in XVI]

XVIII. Loss ratio (XVI/XVII) _____ %

XIX. Raw points _____

XVIII. (loss ratio) less than or equal to 60%+125% of PR(I.) = 1 pt.

XVIII. (loss ratio) greater than 60%+125% of PR(I.) but less than 72%+125% of PR(I.) = 0 pts.

XVIII. (loss ratio) greater than 72%+125% of PR(I.) = -1 pt.

XX. Weighting factor (XVII/III) _____ %

XXI. Weighted points (XIX*XX) _____

XXII. Weighted Sum (IX+XV+XXI - rounded to the nearest integer)

SCORE _____

NOTE: Applicants may earn points for only **one** of the following 2 tests (6 or 7)

6. Incurred loss ratio test - - Health Company

- A. Incurred losses \$ _____
[Sch. H col. 1 (lines 3+4) - Exh. 6 col. 1 line 18]
- B. Earned premiums respecting group business \$ _____
[Sch. H col. 3 line 2]
- C. Earned premiums respecting all other ACH business \$ _____
[Sch. H line 2 col. 1- col. 3]
- D. 95% (B) + 55% (C) = \$ _____
- E. 110% (B) + 65% (C) = \$ _____

Incurred losses equal less than D = 1 pt.

Incurred losses equal to or greater than D but less than E = 0 pts.

Incurred losses equal to or greater than E = -1 pt.

SCORE _____

7. Profitability test for Life Company

- A. Net income \$ _____
[Pg. 6 line 29 cols. 2+3+4+5+6+7+8]
- B. Sales revenue \$ _____
[Pg. 6 (lines 1) cols. 2+3+4+5+6+7+8]
- C. A/B = _____ %

C equal to or greater than 1% = 1 pt.

C less than 1% but not less than -1% = 0 pts.

C less than -1% = -1 pts.

SCORE _____

8. Commitment to underwriting territory.

Company licensed **and** writing in any **New England** (CT, MA, NH, RI, VT) state = 1 pt.

Schedule T

SCORE _____

9. Business acquisition considerations

A. L&H Company

- (1). First year and single premium sales volume \$ _____
[Pg. 9 col. 1 lines 9.4+10.4]
- (2). Total sales volume \$ _____
[Pg. 9 col. 1 line 20.4]

(1)/(2) = _____ % Equal to or less than 35% = 1 pt.

B. P&C Company

- (1). Net retained premium respecting professional liability,
workers' compensation & products liability \$ _____
[Pg. 8 part 1B col. 6 lines 11.1+11.2+16+17.1+17.2+18.1+18.2+31]
- (2). Total net retained premium \$ _____
[Pg. 8 part 1B col. 6 line 34]

(1)/(2) = _____ % Equal to or less than 35% = 1 pt.

SCORE _____

SCORE _____